

INVESTMENT STRATEGY 2023

1. PURPOSE

Council holds cash for a variety of reasons, with each purpose having different characteristics.

Typically, the categories of cash assets include:

- working capital for management of day-to-day council operations (short-term)
- bonds/deposits held for security purposes (short to medium-term)
- proceeds from grants not fully acquitted (short to medium-term)
- funds raised and appropriated for capital works in progress or not commenced (short to medium-term)
- developer contributions yet to be utilised (medium to long-term)
- cash backed reserves and provisions, in particular cash retained for future infrastructure renewal (medium to long-term), and
- unappropriated cash (medium to long-term).

2. LIQUIDITY

Council manages its liquidity requirements through the placement of investments consistent with the duration characteristics of the funds held (short, medium and long), and through diversifying maturity dates.

3. KEY RISKS

Counterparty risk	Risk that a counterparty does not, or cannot, meet its obligations under an investment contract.
Duration risk	Council's exposure to interest rate risk (longer duration amplifies the effect of interest rate movement) and council's ability to manage its liquidity.
Interest rate risk	Risk of changes in the market value of an investment due to fluctuations in interest rates.
Market risk	Financial exposure resulting from general market movements in an investment sector.

Opportunity cost risk

Risk of relative financial under-performance when one investment is chosen over another.

4. RISK APPETITE

Council is the custodian of public monies. It has a responsibility to its community to preserve capital. It also has a responsibility to its community to maintain and, where prudent, enhance the real purchasing power of monies held.

Council's risk appetite at portfolio level is low.

5. PORTFOLIO STRUCTURE

1. Investments are to have regard to the use and duration of the particular funds, and the liquidity and risk limitations specified in the Investment Policy.
2. Council will invest funds to optimise investment returns while preserving capital in real terms and mitigating risks, consistent with its risk appetite.
3. Cash holdings and investments will be apportioned, in accordance with the Investment Policy, to:
 - a. Category 1 Portfolio Investments of less than 12 months duration which generally support short-term working capital.
 - b. Category 2 Portfolio Investments of greater than 12 months duration which generally support medium to long-term infrastructure and capital projects

4. Investments will be in accordance with acceptable risk and return parameters for each category of investment, as specified in the Investment Policy and Procedure. These are summarised below:

Criteria	Category 1	Category 2
Risk limit	Low	Low to Medium
Liquidity required	High	Medium
Minimum investment period	Daily	12 months
Maximum investment period	12 months	7 years ¹
Maximum individual investment	\$5,000,000	\$10,000,000
Return objective	RBA Average 30 Day Bank Bill Rate Bank Bill Swap Rate index where the portfolio holds a concentration of managed cash products	50% Bloomberg Ausbond Composite Bond Index 50% Average 90 Day Bank Bill Rate + 1.5%
Target Asset Allocation		
Term deposits / Cash equivalents	100%	0% (allowable ranges 0-100%)
Government bonds	0%	25% (allowable range 0-40%)
Corporate bonds	0%	50% (allowable ranges 0- 70%)
Hybrid securities	0%	25% (allowable range 0-30%)
Growth assets (equities, property) ²	Not applicable	Not applicable (allowance range 0-30%)
	100%	100%
¹ Investments with a hard maturity date beyond 7 years will be allowed, provided there is a call date within 7 years and an expectation that the investment will be called on that date.		
² Unless for specific purpose which aligns with operational drivers as approved by council		

APPROVAL

COUNCIL APPROVAL DATE	19 June 2023
REVIEW	Every 5 years
RESPONSIBLE POSITION	Chief Financial Officer
ECM REFERENCE	ECM_4982976